

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 PM-07 INR-10 L-03 NEA-11

NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

SAJ-01 SS-20 NSC-10 SSO-00 SCI-06 FEA-02 INT-08 COA-02

H-03 EB-11 COME-00 DRC-01 /145 W

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FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC 4284

INFO AMEMBASSY MOSCOW

USMISSION NATO

SECDEF

CINCLANT

CONFIDENTIAL REYKJAVIK 0166

E.O. 11652: GDS

TAGS: PFOR MARR IC NATO

SUBJECT: IDF RETENTION ISSUE: ALLEGED SOVIET OIL THREAT

AGAINST ICELAND

1. RELIABLE SOURCES HAVE NOW CONFIRMED TO US THAT THE SOVIET
AMBASSADOR IN REYKJAVIK, ACTING THROUGH AN ICELANDIC INTERMEDIARY.
HAS THREATENED THAT THE USSR WILL CUT OFF OIL SUPPLIES TO ICELAND
IF GOI DOES NOT RENOUNCE THE DEFENSE AGREEMENT. IMPLIED THREATS
OF REDUCING CURRENT OIL SHIPMENTS HAVE ALSO BEEN MADE AGAINST
THE FISHERIES COOPERATIVES IF PROGRESSIVE PARTY MEMBERS OF THE
COOPERATIVES SIGN THE PRO-BASE PETITION NOW BEING CIRCULATED.
COOPS HAVE ALSO BEEN THREATENED WITH LOSS OF USSR AS MARKET FOR
CANNED FISH AND WOOLENS.

2. ICELAND IS ABOUT 75 PERCENT DEPENDENT ON USSR FOR OIL AND
TOTALLY DEPENDENT ON USSR FOR FUEL OIL. BECAUSE OF SEVERE
WINTER ICELAND'S RESERVES VERY LOW AND FUEL OIL SHIPMENT RECEIVED
THIS WEEK WAS SHORTCHANGED THUS ADVERSELY AFFECTING FISHERIES

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FACTORIES WHICH COMMENCED SEASONAL OPERATIONS THIS WEEK. SOVIET

OFFICIALS TOLD ICELANDIC ESSO IMPORTER THAT SHORTFALL WAS DUE TO SHORT SUPPLY WITHIN USSR BUT CLEARLY LEFT WITH HIM IMPLICATION THAT THIS WAS AN EXAMPLE OF WHAT TO EXPECT IF HE CONTINUES TO SUPPORT RETENTION OF IDF. SOVIETS ALSO THIS WEEK ARE DRAGGING THEIR FEET ON NEGOTIATING NEW FISH AND WOOLENS CONTRACTS, IMPLYING REASON SAME AS ABOVE.

3. SEVERAL HIGH LEVEL COOP OFFICIALS WHO ARE SUPPORTING IDF RETENTION NOW RUNNING SCARED AND ARE THINKING OF BACKING OFF FROM ACTIVE PUBLIC SUPPORT OF BASE. SOME OF THEM ASKED US IF ICELAND COULD LOOK TO US AS ALTERNATIVE SUPPLIER OF OIL IF USSR THREAT CARRIED OUT. WE ARE TRYING TO CONVINCE THESE OFFICIALS TO TREAT SOVIET THREAT AS BLUFF AND NOT TO CAVE IN ON IDF SUPPORT. WE HAVE ALSO STRESSED THAT ICELANDERS WOULD BE SUBJECTING THEMSELVES TO SOVIET PRESSURES FOREVER IF THEY KNUCKLED UNDER ON SO IMPORTANT AN ISSUE AS THE IDF AND ICELAND WOULD BE LOSING THE INDEPENDENCE THEY VALUE SO HIGHLY.

4. COMMENT: WHETHER REAL OR NOT, THE THREAT COULD HAVE A DAMPENING EFFECT ON AN IMPORTANT SEGMENT OF IDF SUPPORT WITHIN THE PROGRESSIVE PARTY AND ELSEWHERE. WE ALREADY HAVE EVIDENCE OF THIS.. WE WOULD APPRECIATE RECEIVING ARGUMENTS TO SUPPORT OUR CONTENTION THAT SOVIET THREAT IS A BLUFF AND THAT SOVIET ACTION WOULD BE COUNTER TO THEIR OBJECTIVES ELSEWHERE IN WORLD. ALSO ANY ARGUMENTS WHICH CAN EXPLAIN SOVIET SHORTFALL DELIVERIES OF FUEL OIL TO ICELAND, SUCH AS NOT MEETING COMMITMENTS IN OTHER AREAS OF WORLD, ETC. FOR GREATEST UTILITY THIS INFORMATION SHOULD BE AVAILABLE TO THIS EMBASSY BY JAN 31 WHEN AMBASSADOR IRFING MEETS WITH SOME OF THE COOP OFFICIALS.

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